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Special Message to Consumers about Refund Anticipation Loans (RAL)

An RAL is a loan that allows a taxpayer to borrow against an anticipated income tax refund. These loans actually are made by banks but are often offered by tax preparers, and sometimes by CPAs, in conjunction with preparation of the tax return. While these loans are most frequently described as an instant tax refund — as if they come directly from the California State Franchise Tax Board or the Internal Revenue Service — they are in reality loans that often have very high costs associated with them. Both the tax preparer and the lending institution often take commissions against the return — so the RAL is less than the amount of the actual tax return refund.

CPAs offering RALs are required by Section 56 of the Board's regulations to make specified written disclosures to consumers, including the dollar amount the CPA will receive for facilitating the loan. These disclosures must be made at or before the time of making the referral to the lender or performing other activities to facilitate the loan, regardless of whether the taxpayer actually accepts the loan. Section 56 provides a complete description of all of the required disclosures.

If you utilize the services of a CPA to prepare your tax returns, and you are considering an RAL, you may want to inquire about alternatives. You also may want to ask the CPA how long you will need to wait to receive your full income tax refund directly from the California State Franchise Tax Board and the IRS.

For additional information or questions, contact the Board's Enforcement Division by email at enforcementinfo@cba.ca.gov or by telephone at (916) 561-1729.